

Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 EUR-10 L-02 INR-10 RSC-01 DRC-01

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P 111723Z JUL 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 2014

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 08713

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E.O. 11652: GDS

TAGS: ETRN, UK

SUBJ: CIVAIR: LAKER AIRWAYS PERMIT

REF: LONDON 7605

1. DURING CONVERSATION WITH IAN BROWN (NORTH AMERICAN AVIATION DESK, DEPT. OF TRADE) ON OTHER MATTERS, QUESTION OF LAKER AIRWAYS APPLICATION CAME UP. IT WAS CLEAR FROM BROWN'S REMARKS THAT HE IS UNAWARE OF STATUS OF APPLICATION. (SUBSEQUENT CONVERSATION WITH DAVID HUBBACK, DEPUTY SECRETARY, DEPT. OF TRADE, INDICATED HE LIKEWISE UNINFORMED.) BROWN SAID HE THOUGHT LAKER APPLICATION STILL WITH CAB SINCE HE ASSUMED DEPARTMENT WOULD HAVE INFORMED UK EMBASSY IF IT HAD BEEN SENT TO WHITE HOUSE. WE TOLD HIM STATUS OF ANY APPLICATIONS BEFORE CAB ALWAYS VERY CLOSELY HELD AND, ABSENT A SPECIFIC COMMITMENT TO DO SO, DEPARTMENT SHOULD NOT BE EXPECTED TO KEEP UK EMBASSY INFORMED ON PROGRESS OF LAKER APPLICATION.

2. BROWN WOULD NOT BE DRAWN OUT ON QUESTION OF DEGREE OF SUPPORT IN PRESENT GOVERNMENT FOR LAKER APPLICATION BUT SAID WE MIGHT DRAW SOME CONCLUSIONS
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FROM FACT UKG HAD NOT RECENTLY MADE FORMAL REPRESENTA-

TIONS TO USG DESPITE STRONG PRESSURES FROM LAKER TO DO SO. (SEE LONDON 8239). BROWN SAID HE AND MANY OTHERS IN UKG ARE VERY CONCERNED ABOUT QUESTION OF PRINCIPLE RAISED BY LAKER APPLICATION. BROWN AND OTHERS FEEL USG ALREADY ACTING CONTRARY TO AIR SERVICES AGREEMENT BY FAILING TO GRANT LAKER LICENSE "WITHOUT UNDUE DELAY." BROWN SAID US MUST RECOGNIZE WE MAY GET SIMILAR TREATMENT AT HANDS OF UK AUTHORITIES WHEN SEEKING TO INAUGURATE NEW SERVICES UNDER AGREEMENT. BRITISH ALREADY HOLDING UP EASTERN AIRLINES PERMIT FOR CARIBBEAN SERVICES BECAUSE OF DELAY IN LICENSING OF LAKER. THEY REALIZE EASTERN PERMIT DELAY OF LITTLE CONSEQUENCE EITHER TO EASTERN OR USG BUT FEEL IT IMPORTANT TO DO SO TO REGISTER DISSATISFACTION WITH US HANDLING OF LAKER APPLICATION. ALTHOUGH BROWN DID NOT SAY SO, WE BELIEVE CAA DECISION TO AUTHORIZE LAKER TO OPERATE LUXEMBOURG-TIJUANA SERVICES ON BEHALF OF AIR EUROPE INTERNATIONAL (LONDON 8470) ALSO PROBABLY INFLUENCED BY DISPLEASURE OVER LAKER LICENSE.

3. COMMENT. IT APPEARS TO EMBASSY THAT LAKER APPLICATION PLACES US IN NO-WIN SITUATION WITH POSSIBLE ADVERSE EFFECT ON US CARRIERS IF APPLICATION APPROVED AS FILED AND BILATERAL PROBLEMS WITH BRITISH IF APPLICATION DISAPPROVED. WE BELIEVE LATTER LIKELY TO BE THE CASE ALMOST REGARDLESS OF ATTITUDE OF PRESENT GOVERNMENT TOWARD LAKER SKYTRAIN. SERIOUSNESS OF BILATERAL DIFFICULTIES MAY, OF COURSE, DEPEND ON DEGREE OF SUPPORT LAKER COMMANDS BUT EVEN IF HE HAS LITTLE OR NO SUPPORT, USG DENIAL OF APPLICATION, UNLESS HANDLED VERY CAREFULLY, WILL GIVE TO BRITISH POTENT WEAPON WHICH THEY WILL BE ABLE TO USE AGAINST US WHEN AND AS IT SUITS THEIR PURPOSES.

4. IN THIS CONNECTION, IMPORTANT TO REMEMBER US-UK AVIATION AGREEMENT IS OF CRITICAL IMPORTANCE TO US CARRIERS AND IS ONE IN WHICH BALANCE OF BENEFITS HEAVILY FAVORS US SIDE. BRITISH VERY MUCH AWARE OF THIS AND THEY HAVE FOR SOME TIME BEEN TALKING ABOUT NEED TO REDRESS IMBALANCE. DENIAL OF LAKER APPLICATION MIGHT BE USED AS PRETEXT TO START THIS PROCESS. US CARRIERS ARE IN NO CONFIDENTIAL

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POSITION AT PRESENT TO WITHSTAND TIGHTENING OF UK REGULATORY SCREWS OR OTHER RETALIATORY MEASURES. ON THE CONTRARY, EASING PANAM AND TWA THROUGH THEIR PRESENT DESPARATE ECONOMIC SITUATION MAY WELL DEPEND ON SYMPATHETIC ATTITUDE AND CONSTRUCTIVE COOPERATION ON PART OF BRITISH.

5. WE WOULD LIKE ALSO TO REEMPHASIZE POINT MADE IN

LONDON 7605 THAT DENIAL OF LAKER APPLICATION BASED ON

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TO SECSTATE WASHDC PRIORITY 2015

C O N F I D E N T I A L SECTION 02 OF 02 LONDON 08713

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ARGUMENT THAT LAKER IS UNFIT TO PERFORM SERVICE WOULD
ALMOST CERTAINLY RAISE HACKLES OF CAA WHICH JUDGED AIR-
LINE FIT AND LICENSED IT TO PERFORM SKYTRAIN SERVICE.
WE HAVE NOT SEEN, OF COURSE, CAB'S ARGUMENTATION IN
SUPPORT OF FINDING THAT CARRIER IS NOT QUALIFIED BUT WE
WOULD HAVE BELIEVED THAT MOST POINTS HAD BEEN PREVIOUSLY
CONSIDERED BY HEARING EXAMINER WHO, IN OUR VIEW, EFFEC-
TIVELY DEMOLISHED ALL POINTS RAISED IN JUDGING CARRIER
TO BE FIT. WE WOULD ONLY ADD TO EXAMINER'S ARGUMENTATION
OUR OWN OBSERVATION THAT NON-DISCRIMINATORY APPLICATION
OF A DECISION THAT PAST VIOLATIONS OF FEDERAL
AVIATION ACT CONSTITUTES BASIS FOR DENYING FUTURE
OPERATIONS WOULD SOLVE OVERNIGHT AIRLINE
OVERCAPACITY SITUATION ON NORTH ATLANTIC AND RESTORE DE-
MAND FOR PASSENGER LINER SERVICES.

6. WE ARE DOUBTLESSLY OVERSIMPLIFYING ISSUES BUT WOULD
SEEM TO US THAT IF WE CANNOT AFFORD TO APPROVE SKYTRAIN
APPLICATION AS FILED, RATHER THAN DENYING APPLICATION,
BETTER COURSE TO FOLLOW WOULD BE TO MODIFY APPLICATION
TO DIRECT CARRIER TO AIRPORT IN NEW YORK AREA OTHER THAN
JFK (SUCH AS NEWA OR HARTFORD) AND MAKE IT A
CONDITION OF THE PERMIT THAT LAKER NEGOTIATE AN ACCEPT-

ABLE INITIAL FARE LEVEL. IF THIS STILL REGARDED AS TOO
RISKY, WE MIGHT CONSIDER CALLING FOR CAPACITY CONSULTA-
TIONS ON NEW YORK-LONDON SERVICE AND RAISE EXCESS
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CAPACITY ISSUE AS A BAR TO SKYTRAIN OPERATIONS UNTIL
NORMAL TRAFFIC CONDITIONS ARE RESTORED.

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